



Monthly Review of South Carolina Public Service Authority Pursuant to Act 135 Section 11 (E)

South Carolina
Office of Regulatory Staff

December 1, 2020

Executive Summary

On May 18, 2020, Act 135 was signed into law by Governor Henry McMaster. Section 11 of Act 135 requires that the South Carolina Public Service Authority (“Santee Cooper”) be subject to monthly reviews by the South Carolina Office of Regulatory Staff (“ORS”). The objective of the monthly review is to determine if Santee Cooper violated the terms contained in Section 11 subsection E of Act 135. This Report details the results of ORS’s monthly review of Santee Cooper activities under Section 11 subsection E of Act 135 for the time period of September 1, 2020, through September 30, 2020 (“Review Period”).

Act 135 allows the Santee Cooper Oversight Committee to convene to consider and clarify any matter discovered by ORS pursuant to Section 11 subsection E that ORS determines is in violation of the terms contained in subsection E.

ORS has not audited or verified the appropriateness, accuracy or completeness of the actions undertaken by Santee Cooper. Further, this Report, and all associated analyses, are based upon the information and attestations made by Santee Cooper and in reliance that the responses provided by Santee Cooper are full and accurate responses. ORS conducted the review contained in this Report in reasonable reliance upon the information provided by Santee Cooper. Moreover, ORS did not retain outside legal or financial experts to assist with the review contained in this Report. Through this Report ORS makes no comment regarding actions taken by Santee Cooper related to the *Cook Settlement*, Act 135 Section 11(A).

ORS determined Santee Cooper did not take action that violated the terms contained in Act 135 Section 11 subsection E during the Review Period. However, it is important to note that Santee Cooper did not include any material information or detail of any monthly activities related to planning or preparations for issuing and refunding debt in the responses to ORS prior to a response provided on October 30, 2020, and the supplemental responses received by ORS from Santee Cooper on November 20, 2020. The questions originally posed to Santee Cooper by ORS were reasonably calculated to elicit information regarding Santee Cooper’s preparations to issue and refund debt. Accordingly, it is clear that initially Santee Cooper did not provide full and accurate information to ORS.

Scope of ORS Review

In accordance with Act 135 Section 11, the scope of the monthly review by ORS is to determine if Santee Cooper activities during the Review Period were in violation of subsection E which specifies:

(E) Nothing in this section prohibits Santee Cooper from:

(1) doing those things necessary for closing and decommissioning the Winyah Generating Station including, but not limited to, planning, permitting, and securing by purchase or lease one hundred megawatts of combustion turbines and minor transmission upgrades, subject to the consent of Central pursuant to the Power System Coordination and Integration Agreement between Santee Cooper and Central, as amended (the Coordination Agreement). In no event will this include constructing a natural gas combined cycle or other major generation resource;

(2) doing all those things necessary for deploying up to 500 megawatts of new solar generation, within the structure described in the Santee Cooper Act 95 Reform Plan Appendix 8.2.4, subject to consent of Central pursuant to the Coordination Agreement;

(3) entering into operational efficiency and joint dispatch agreements with neighboring utilities for a period of up to one year, with annual renewals and reciprocal cancellation clauses thereafter;

(4) renegotiating existing and entering into new coal supply, transportation, and related agreements that produce savings and for terms not to exceed five years or such longer period of time as may be approved by the Santee Cooper Oversight Committee;

(5) entering into natural gas hedging arrangements for terms not to exceed five years, or such longer period of time as may be approved by the Santee Cooper Oversight Committee;

(6) conducting the planning, permitting, engineering and feasibility studies to develop natural gas transportation and power transmission to ensure a reliable power supply;

(7) entering into purchase power arrangements needed for, but not in excess of, anticipated load for a term not to exceed the rate freeze period of the Cook Settlement, and supportive thereof;

(8) defeasing debt, issuing or refunding debt under existing bond resolutions and agreements, and entering into financing arrangements consistent with existing bank facilities, all as necessary to manage day to day operations and financing needs, including converting variable rate debt to fixed rate debt. Refunding of existing debt is permitted if it achieves present value savings or mitigates risk and does not extend the average life of the debt;

(9) resolving outstanding lawsuits and claims;

(10) taking whatever steps are prudent and consistent with good utility practice to address the impact of the COVID-19 pandemic; and

(11) freezing rates as provided in the settlement of Cook v. Santee Cooper, et al.

ORS Review Methodology

Within 30 days of the passage of Act 135, ORS was required to provide Santee Cooper with a reasonable process by which ORS will accomplish its obligations. ORS provided the process, estimated schedule and sample documents to Santee Cooper on June 10, 2020.

ORS determined a timely exchange of information and records between Santee Cooper and ORS would be critical to meet the monthly review requirement of Act 135. The process determined by ORS and provided to Santee Cooper included the following:

- ORS will send Santee Cooper a Request for Information (“RFI”) on a monthly basis.
- Santee Cooper will provide a response within 14 days of receipt of the RFI.
- Each response by Santee Cooper requires a signature and attestation from a Santee Cooper officer.
- ORS may request additional information and documents.
- ORS may interview, or discuss the Santee Cooper responses with, the individual that prepared the response.
- ORS will provide the findings of the monthly review to Santee Cooper and the Santee Cooper Oversight Committee.

ORS issued the Fifth RFI to Santee Cooper on October 16, 2020 and received responses from Santee Cooper on October 30, 2020.

ORS Review of Section 11 subsection E

Winyah Generating Station Closing & Decommissioning

(E) Nothing in this section prohibits Santee Cooper from:

(1) doing those things necessary for closing and decommissioning the Winyah Generating Station including, but not limited to, planning, permitting, and securing by purchase or lease one hundred megawatts of combustion turbines and minor transmission upgrades, subject to the consent of Central pursuant to the Power System Coordination and Integration Agreement between Santee Cooper and Central, as amended (the Coordination Agreement). In no event will this include constructing a natural gas combined cycle or other major generation resource;

Summary of Santee Cooper Activities during Review Period

ORS's review of the information provided by Santee Cooper indicates several internal coordination meetings and external meetings with Central Electric Power Cooperative, Inc. ("Central") were held during the Review Period to discuss (1) the retirement of Winyah Generating Station ("Winyah") and the support provided by 20 megawatts ("MW") of quick-start units already available from the V.C. Summer site and (2) siting and technology requirements and permitting processes for generation resources necessary for system support for the planned retirement of Winyah.

During the Review Period, Santee Cooper issued a letter of agreement/sole source procurement for \$100,000 with environmental consultant, Wood Environment and Infrastructure Solutions, Inc., to provide the following services related to new generation necessary to support the retirement of Winyah:

- Permitting and NEPA support related to potential new generation, including development of realistic schedule
- Phase I assessments as needed.
- Wetland determinations and permitting support for both nationwide and individual permits, as needed.
- Development of resource agency reports and submittals for projects requiring a federal permit, as needed. This includes, but is not limited to, threatened and endangered species studies and cultural resource studies.

As follow-up to Santee Cooper's response to ORS RFI 5.1, ORS requested Santee Cooper identify the types of "generation resources" Santee Cooper has under consideration to provide system support for the planned retirement of Winyah Generating Station. Santee Cooper responded that it is considering 20 MW of quick start capability using diesel engines that are located at other sites. Santee Cooper indicates that planning, permitting and securing by purchase 20 MW of quick start capabilities is within the scope of Act 135. Santee Cooper indicates that other new generation may be required to support full retirement of Winyah including natural gas combined cycle and/or simple cycle units. In response to ORS's questions, Santee Cooper responded that it has not taken any action to permit or site a natural gas combined cycle resource or other major generation resource. Santee Cooper indicates it is not planning, permitting, performing technology studies or procuring resources related to other potential generation. In addition, Santee Cooper indicates it is performing financial forecasts and schedules for potential options to confirm that the target retirement dates for Winyah are achievable.

ORS Review Results

ORS determined Santee Cooper did not take action that violated the terms contained in Section 11 subsection E (1) of Act 135 during the Review Period.

In light of Santee Cooper's actions to refine permitting and construction schedules to support resource planning efforts, it is unclear if the activities undertaken by Santee Cooper related to planning, such as developing schedules and budget level cost estimates for financial forecasts, which include a natural gas combined cycle or other

major generation resource are allowed under Act 135. ORS recommends the Santee Cooper Oversight Committee review and provide further instruction to ORS and Santee Cooper related to planning efforts that include natural gas combined cycle or other major generation resources are allowable under Act 135.

Deployment of up to 500 MW of New Solar Generation

- (E) *Nothing in this section prohibits Santee Cooper from:*
- (2) *doing all those things necessary for deploying up to 500 megawatts of new solar generation, within the structure described in the Santee Cooper Act 95 Reform Plan Appendix 8.2.4, subject to consent of Central pursuant to the Coordination Agreement*

Summary of Santee Cooper Activities during Review Period

ORS's review of the information provided by Santee Cooper indicates work was conducted to support the addition of new solar generation occurred during the Review Period. On September 1, 2020, Central sent a letter to Santee Cooper's CEO to address Central's access to unredacted bids which were submitted by solar developers on July 31, 2020 in response to the Request for Proposal ("RFP") solar generation issued on June 5, 2020. Santee Cooper and Central committed to forming a Joint Committee to analyze the responses to the RFP. Meetings were held by, and presentations made to, this Joint Committee on September 9, 16, and 24, 2020.

Subsequent to the Review Period, WBTW News 13 published an article entitled "South Carolina power supplier to add renewable solar energy to resource portfolio".¹ The article stated:

Earlier this year, the two utilities issued a joint request for proposals to developers for up to 500 MW. They evaluated 58 bids representing 3,625 MW total. Santee Cooper proposed developing the renewable power supply as a joint resource, but Central determined it would be more cost-effective to pursue its own contracts, even if with the same developers contracting with Santee Cooper. In its meeting today, the Central board decided to opt out and to contract directly for its allowed share of the 500 MW.

ORS will review subsequent Santee Cooper activities related to solar development based on Santee Cooper's responses to the Sixth RFI.

ORS Review Results

ORS determined Santee Cooper did not take action that violated the terms contained in Section 11 subsection E (2) of Act 135 during the Review Period.

¹ November 11, 2020 article <https://www.wbtw.com/news/south-carolina-power-supplier-to-add-renewable-solar-energy-to-resource-portfolio/>

Operational Efficiency & Joint Dispatch Agreements

- (E) *Nothing in this section prohibits Santee Cooper from:*
- (3) *entering into operational efficiency and joint dispatch agreements with neighboring utilities for a period of up to one year, with annual renewals and reciprocal cancellation clauses thereafter*

Summary of Santee Cooper Activities during Review Period

ORS's review of the information provided by Santee Cooper indicates Santee Cooper conducted no activities regarding joint dispatch during the Review Period. Although not part of a joint dispatch scenario, Santee Cooper executed a number of transactions with Dominion Energy South Carolina, Inc. ("Dominion") during the Review Period to purchase power when Dominion's costs are lower than the energy market and Santee Cooper resources. Santee Cooper also looked to sell Dominion energy when Santee Cooper's costs were competitive with the energy market or Dominion resources. During the Review Period, transactions with Dominion totaled less than 1% of total transactions executed from the bilateral market.

Santee Cooper and Dominion held meetings on September 17 and 22, 2020 to discuss opportunities for joint maintenance of shared transmission corridor in 2021. Santee Cooper and Dominion are planning to joint spray the equivalent of approximately 9 miles of shared corridor. Santee Cooper and Dominion plan to meet at the shared corridors in October to ensure the scope of work and conditions are accurate. Additionally, Santee Cooper and Dominion will visit other line sections for further evaluation and to look for other opportunities to add additional lines to this list of planned joint corridor herbicide spray operations.

During the Review Period, Santee Cooper evaluated the opportunity to obtain gypsum from Dominion to lower costs to fulfill contract requirements. Currently, Santee Cooper purchases gypsum externally to meet contract requirements when Santee Cooper facilities do not produce sufficient volumes. No action was taken to purchase gypsum from Dominion during the Review Period.

During the Review Period, Santee Cooper continued discussions with Southern Power Company and Southern Company Services, Inc. (collectively "Southern") to determine what areas would have the best opportunities for increased efficiencies. Different technical groups within Santee Cooper and Southern continued to work together to develop mutually beneficial opportunities.

- The Procurement team focused on (1) availability of surplus inventory that could benefit both Santee Cooper and Southern with a focus on surplus inventory at the VC Summer Nuclear Site and (2) collaborative procurement on volume buying opportunities. No plans or procedures were finalized during the Review Period.
- The Coal Combustion Products (CCP) team completed evaluation of an opportunity to recover gypsum from a pond at a Southern generating station. The material would be transported across two rail systems (CSX and Norfolk Southern)

to the American Gypsum facility at Winyah. The total cost was estimated to exceed the cost to deliver natural gypsum, therefore no actions were taken.

- The Generation Technical Services and Asset Management teams continued to discussions regarding monitoring and diagnostic practices. Internal discussions focused on expansion of current efforts to utilize existing systems and software. In recent years, Generation Technical Services has made advancements in condition-based maintenance (CBM), and enhancements to current diagnostic efforts will support more effective preventative maintenance in the future. No plans or procedures were finalized during the Review Period.

ORS Review Results

ORS determined Santee Cooper did not take action that violated the terms contained in Section 11 subsection E (3) of Act 135 during the Review Period.

Coal Supply, Transportation & Related Agreements

- (E) *Nothing in this section prohibits Santee Cooper from:*
- (4) *renegotiating existing and entering into new coal supply, transportation, and related agreements that produce savings and for terms not to exceed five years or such longer period of time as may be approved by the Santee Cooper Oversight Committee*

Summary of Santee Cooper Activities during Review Period

ORS's review of the information provided by Santee Cooper indicates that Santee Cooper continued to monitor pricing for coal supply options to determine opportunities to hedge coal supply prices and volumes during rate freeze period. No action was taken during the Review Period towards entering agreements.

ORS Review Results

ORS determined Santee Cooper did not take action that violated the terms contained in Section 11 subsection E (4) of Act 135 during the Review Period.

Natural Gas Hedging Arrangements

- (E) *Nothing in this section prohibits Santee Cooper from:*
- (5) *entering into natural gas hedging arrangements for terms not to exceed five years, or such longer period of time as may be approved by the Santee Cooper Oversight Committee;*

Summary of Santee Cooper Activities during Review Period

ORS's review of the information provided by Santee Cooper indicates that Santee Cooper continued to monitor pricing for natural gas to determine opportunities to hedge natural gas supply prices and volumes during rate freeze period. No action was taken during the Review Period towards entering agreements.

ORS Review Results

ORS determined Santee Cooper did not take action that violated the terms contained in Section 11 subsection E (5) of Act 135 during the Review Period.

Develop Natural Gas Transportation & Power Transmission

- (E) *Nothing in this section prohibits Santee Cooper from:*
(6) *conducting the planning, permitting, engineering and feasibility studies to develop natural gas transportation and power transmission to ensure a reliable power supply*

Summary of Santee Cooper Activities during Review Period

ORS's review of the information provided by Santee Cooper indicates Santee Cooper performed routine transmission planning activities including North American Electric Reliability Corporation Transmission Planning assessments. Santee Cooper also conducted transmission system assessments associated with different generation planning scenarios being considered during the planning process. No actions or assessments were completed during the Review Period.

ORS Review Results

ORS determined Santee Cooper did not take action that violated the terms contained in Section 11 subsection E (6) of Act 135 during the Review Period.

Purchased Power Arrangements

- (E) *Nothing in this section prohibits Santee Cooper from:*
(7) *entering into purchase power arrangements needed for, but not in excess of, anticipated load for a term not to exceed the rate freeze period of the Cook Settlement, and supportive thereof*

Summary of Santee Cooper Activities during Review Period

ORS's review of the information provided by Santee Cooper indicates Santee Cooper continued to monitor pricing of purchase power supply during rate freeze in up to 150 MW blocks. No action was taken towards entering into agreements and this activity is ongoing.

ORS Review Results

ORS determined Santee Cooper did not take action that violated the terms contained in Section 11 subsection E (7) of Act 135 during the Review Period.

Debt & Financing Arrangements

(E) *Nothing in this section prohibits Santee Cooper from:*

(8) *defeating debt, issuing or refunding debt under existing bond resolutions and agreements, and entering into financing arrangements consistent with existing bank facilities, all as necessary to manage day to day operations and financing needs, including converting variable rate debt to fixed rate debt. Refunding of existing debt is permitted if it achieves present value savings or mitigates risk and does not extend the average life of the debt*

Summary of Santee Cooper Activities during Review Period

ORS's review of the information provided by Santee Cooper indicates Santee Cooper executed new bank facility agreements with Barclays and Bank of America during the Review Period. The Barclays agreement consists of \$300 million in Letters of Credit capacity with \$200 million expiring in September 2022 and \$100 million expiring in September 2023. The Bank of America agreement consists of \$200 million in a Revolving Credit Agreement expiring in September 2021. Santee Cooper indicates the renewal of the bank facility agreements will fund day-to-day financing needs.

During the Review Period, Santee Cooper also executed a new Issuing & Paying Agent Agreement with U.S. Bank National Association to reflect changes to its bank facility program.

Santee Cooper states that it did not refund existing debt during the Review Period but is preparing for a refunding to be executed in October 2020.

ORS Review of Santee Cooper Pursuant to a Request from the Santee Cooper Oversight Committee

On October 29, 2020, the Santee Cooper Oversight Committee ("SCOC") members consisting of Governor Henry McMaster, Speaker of the House of Representatives James Lucas, President of the Senate Harvey Peeler, Chairman of the Senate Finance Committee Hugh Leatherman and Chairman of the House Ways and Means Committee Murrell Smith sent a Letter to Dan Ray, Acting Chairman of the South Carolina Public Service Authority ("Santee Cooper"). In the Letter, the SCOC sought "additional information from Santee Cooper regarding plans to issue new debt and presents shared questions and preliminary concerns whether certain aspects of the transactions, as announced by Santee Cooper, comply with Act 135 of 2020." Pursuant to the Letter, the SCOC requires Santee Cooper to "'immediately furnish' any and all pertinent information and documentation to ORS regarding these transactions to facilitate a prompt review" of the planned transactions. In addition, the SCOC requires Santee Cooper provide "a detailed explanation as to why, and how, you believe that Santee Cooper's actions are in keeping with both the letter and the spirit of the General Assembly's mandates in Act 135."

Pursuant to Act 135, Santee Cooper is subject to monthly reviews by the South Carolina Office of Regulatory Staff ("ORS") for actions taken under Act 135, Section 11, subsection (E). As a result, ORS diligently reviewed the materials provided by Santee Cooper to

comply with the ORS obligations as detailed by Act 135 to make a determination as to whether Santee Cooper violated the terms of Act 135, Section 11, subsection (E). ORS issues a Report that detailed ORS's review of the data provided by Santee Cooper in response to the SCOC Letter and ORS's discovery issued on October 29, 2020.²

While Santee Cooper provided no material advance disclosure to ORS of any initial plans or preparations to issue or refund debt, ORS determined Santee Cooper did not take action that violated the terms contained in Act 135, Section 11, subsection (E)(8). A review of the responses previously provided to ORS by Santee Cooper related to Santee Cooper's monthly activities under Act 135, Section 11, subsection (E)(8), confirms that Santee Cooper did not include any material information or detail of any monthly activities related to planning or preparations for issuing and refunding debt in the responses to ORS prior to a response provided on October 30, 2020. However, the questions posed to Santee Cooper by ORS were reasonably calculated to elicit information regarding Santee Cooper's preparations to issue and refund debt.

Santee Cooper Supplemental Responses to ORS received on November 20, 2020

On November 20, 2020, Santee Cooper provided several supplemental responses to ORS RFI 5.8. Santee Cooper provided a detailed narrative of the activities undertaken to manage its Banking Facilities that shifted the amount outstanding between various bank lines in order to achieve economic benefits. ORS requested additional information related to the increase of \$21.6M in Commercial Paper and Revolving Credit Agreements. Santee Cooper issued \$38M in existing bank facilities to finance capital projects and paid down \$16.4M of Commercial Paper which resulted in a net increase of \$21.6M in short-term variable rate debt. In response to ORS questions, Santee Cooper indicates that use of short-term variable rate debt provides an economic benefit because short-term variable rate debt reduces interest expense and avoids the cost of issuance of several small bonds.

On November 20, 2020, Santee Cooper provided supplemental responses that indicate Santee Cooper took actions to plan and prepare for a refunding of existing debt. Planning discussions and activities occurred in September related to compliance with Act 135, required disclosures, development of the Preliminary Official Statement ("POS"), tax issues, transaction structure, interest rates, market conditions, and development of a preliminary timeline for the debt transactions. The initial preliminary timeline is found below and was adjusted as the transaction proceeded:

September 2	Distribute Draft POS in-house
September 16	Distribute Draft POS to Nixon Peabody
September 16 & 18	Meet with Credit Rating Agencies
September 30	Provide Near Final POS to Credit Rating Agencies

² ORS Review of Santee Cooper pursuant to a Request from the Santee Cooper Oversight Committee. [https://ors.sc.gov/sites/default/files/Documents/Regulatory/electricNaturalGas/Electricity/ORS%20Review%20of%20Santee%20Cooper%20-%20Act%20135%20Section%2011\(E\)\(8\)%20FINAL%20Version%2011-3-20.pdf](https://ors.sc.gov/sites/default/files/Documents/Regulatory/electricNaturalGas/Electricity/ORS%20Review%20of%20Santee%20Cooper%20-%20Act%20135%20Section%2011(E)(8)%20FINAL%20Version%2011-3-20.pdf)

October 9	Due Diligence Call Record Investor Roadshow
October 14	Receive Credit Ratings Post POS and Release Investor Roadshow
October 16 & 19	Investor Calls
October 21	Pricing
October 22	Board Approval of Bond Sale (telephonic board meeting)
Week of October 26	Closing

Santee Cooper met with Credit Rating Agencies (Moody's, Fitch and S&P) on September 16 and September 18, 2020. Based on the information provided by Santee Cooper to ORS on November 20, 2020, Santee Cooper adjusted the transaction timeline to include interest rate swaps while tax issues related to swaps was still being evaluated. Santee Cooper scheduled a Board of Directors meeting for October 2, 2020 to discuss the interest rate management policy; however, the meeting was cancelled. The structure of the bond transaction was not finalized in September.

ORS Review Results

ORS determined Santee Cooper did not take action that violated the terms contained in Section 11 subsection E (8) of Act 135 during the Review Period. However, it is important to note that Santee Cooper did not include any material information or detail of any monthly activities related to planning or preparations for issuing and refunding debt in the responses to ORS prior to a response provided on October 30, 2020, and the supplemental responses received on November 20, 2020. The questions posed to Santee Cooper by ORS were reasonably calculated to elicit information regarding Santee Cooper's preparations to issue and refund debt. Initially, Santee Cooper did not provide full and accurate information to ORS.

In the supplemental responses received from Santee Cooper on November 23, 2020, Santee Cooper acknowledges that it inadvertently omitted certain documents including agendas, presentations, credit rating agency letters and reports from its response to ORS on November 2, 2020. Santee Cooper had the information available but did not provide it to ORS. This acknowledgement follows after Santee Cooper asserted to members of the SCOC in a letter dated November 4, 2020, that "[S]antee Cooper delivered full and detailed information to ORS regarding the Bond Transaction during the period Oct. 29 through November 2, contemporaneously with delivering the September report in question." See Appendix A for the November 4, 2020 letter to the SCOC and subsequent response from Santee Cooper dated November 23, 2020.

Resolve Lawsuits & Claims

- (E) *Nothing in this section prohibits Santee Cooper from:*
- (9) *resolving outstanding lawsuits and claims*

Summary of Santee Cooper Activities during Review Period

ORS's review of the information provided by Santee Cooper indicates Santee Cooper engaged in settlement discussions with opposing party representatives. On September 18, 2020, in Case No: 17-1075 (MEW); Adv. Proc. No. 19-01109 (CGM), Santee Cooper entered into an Escrow Agreement with Westinghouse Electric Company, LLC ("WEC") and Delaware Trust Company for the deposit of proceeds resulting from the sale of nuclear equipment associated with V.C. Summer Units 2 and 3.

On September 8, 2020, in Case No. 2020-CP-08-0082, Santee Cooper supplemented its opposition to the City of Goose Creek's ("Goose Creek") Motion on the Pleadings to which Goose Creek replied on September 14, 2020 in its South Carolina "State Case". A hearing was held on September 17, 2020. Santee Cooper and Goose Creek both filed supplemental briefs on October 2, 2020 to respond to questions posed by the Court following the hearing. Santee Cooper also filed a Motion for Speedy Determination of Declaratory Relief and a Motion for Injunctive Relief. These Motions requested the Court to declare the Master Annexation Agreement, the underlying agreement between Goose Creek and Century Aluminum void as it seeks to unlawfully delegate governmental authority to a non-governmental entity. Information regarding the State Case has not been previously provided to ORS.

On September 14, 2020, in Docket No. EL20-33-000, Santee Cooper filed a motion with the Federal Energy Regulatory Commission ("FERC") to re-open the case before it, reconsider or stay the proposed order. On September 29, 2020, Goose Creek filed a response to that motion. Santee Cooper's motion to re-open, reconsider or stay the proposed Order remains pending before FERC.

ORS Review Results

ORS determined Santee Cooper did not take action that violated the terms contained in Section 11 subsection E (9) of Act 135 during the Review Period.

Address the Impacts of COVID-19

- (E) *Nothing in this section prohibits Santee Cooper from:*
(10) *taking whatever steps are prudent and consistent with good utility practice to address the impact of the COVID-19 pandemic*

Summary of Santee Cooper Activities during Review Period

ORS's review of the information provided by Santee Cooper indicates Santee Cooper continued efforts to manage the COVID-19 pandemic and implement its pandemic response plan through the Corporate Incident Management Team ("CIMT"). Through weekly meetings, the CIMT took the following actions:

- Conducted weekly calls to identify issues related to COVID-19 throughout the company and to provide updates on company guidelines
- Updated published guidelines and coordinates mass communication to employees

All guidelines are developed under advisement of Safety and Occupational Health and review of information provided by SC Emergency Management Division, SC Department of Health and Environmental Control, National Center for Disease Control, other utilities, local and state ordinances and other information.

ORS Review Results

ORS determined Santee Cooper did not take action that violated the terms contained in Section 11 subsection E (10) of Act 135 during the Review Period.

Rate Freeze as Required by Settlement

- (E) *Nothing in this section prohibits Santee Cooper from:*
- (11) *freezing rates as provided in the settlement of Cook v. Santee Cooper, et al.*

Summary of Santee Cooper Activities during Review Period

ORS's review of the information provided by Santee Cooper indicates Santee Cooper implemented the Rate Freeze for Residential, Commercial and Lighting Customers approved by the Board of Directors during the July 31, 2020 Board of Directors Meeting. Santee Cooper implemented the Rate Freeze by fixing carriable components of the applicable customer rates to the values listed on Schedules A and B of the Cook Settlement Agreement.

ORS Review Results

ORS determined Santee Cooper did not take action that violated the terms contained in Section 11 subsection E (11) of Act 135 during the Review Period. The Review by ORS does not evaluate overall compliance with the *Cook* settlement in accordance with Act 135 Section 11(A).

**Mark B. Bonsall**

President and Chief Executive Officer

(843) 761-7039

fax: (843) 761-7037

mbbonsal@santeecooper.com

Delivered Via Email

November 4, 2020

The Honorable Henry D. McMaster
Governor, State of South Carolina

The Honorable Harvey S. Peeler, Jr.
President of the South Carolina Senate

The Honorable Hugh K. Leatherman, Sr.
Chairman, South Carolina Senate Finance Committee

The Honorable James H. Lucas
Speaker of the South Carolina House of Representatives

The Honorable G. Murrell Smith, Jr.
Chairman, South Carolina House Ways and Means Committee

Dear Santee Cooper Oversight Committee Members:

We have reviewed the SC Office of Regulatory Staff's ("ORS") report dated November 3, 2020, responding to your request of October 29, 2020, asking for a review of the South Carolina Public Service Authority's ("Santee Cooper") plans to issue new debt and refinance existing debt (the Bond Transaction") and a determination of whether the Bond Transaction is permissible under SC Act 135 (the "Act"). The ORS report finds the Bond Transaction does not violate Act 135 Section 11(E)(8). At your request, we also provided a detailed explanation as to why, and how, we believe the Bond Transaction complies with both the letter and the spirit of the Act.

The Bond Transaction, scheduled to close tomorrow, November 5, 2020, saves customers nearly \$40 million through 2024 (the period of the Cook settlement rate freeze) and well in excess of \$300 million over the life of the bonds. It also reduces the average life of Santee Cooper's debt and provides financing for critical capital needs - such as critical environmental protection projects - at today's extremely low interest rates. The Bond Transaction benefited from recent improvement in Santee Cooper's credit ratings from both Moody's Investor Service and Fitch.

With the closing set for tomorrow and the report from ORS finding compliance with the Act, we are proceeding with the Bond Transaction to realize the value it brings to our customers and avoid potential very negative consequences of a postponement or cancelation. The attached information we received from PFM, our financial advisor, describes those negative consequences. It is our fiduciary duty to consummate the Bond Transaction as planned.

Santee Cooper Oversight Committee Members
November 4, 2020
Page 2

We acknowledge ORS identified some concerns with our monthly report for September, which we delivered on the due date of October 30, 2020. Santee Cooper values this feedback from ORS and will adjust our reporting accordingly. We will endeavor to improve communications to ORS in future reports. However, please note, Santee Cooper delivered full and detailed information to ORS regarding the Bond Transaction during the period Oct. 29 through November 2, contemporaneously with delivering the September report in question.

We remain committed to complying with both the spirit and the letter of the Act and are pleased to bring this favorable transaction for the benefit of our customers.

Sincerely,



Mark B. Bonsall

/srs

cc: Internal Santee Cooper Staff

Williams, Pamela

From: Michael Mace <MACEM@pfm.com>
Sent: Monday, November 02, 2020 4:21 PM
To: Williams, Pamela
Cc: Eric Smith
Subject: [EXTERNAL SENDER] Potential Impacts of Cancelled Closing

WARNING: This e-mail is from an external sender. Use caution when opening attachments and clicking links.

Pamela – as we discussed on our recent call, there are a number of potential adverse impacts related to a cancelled closing of Series 2020 A&B Bonds. These include:

- 1 – Escrow securities – Santee Cooper has agreed to purchase roughly \$448 million of US Treasury and Agency securities to fund the defeasance escrow for the refunded bonds. Roughly \$265 million were purchased pursuant to a competitive bid process. These securities are being issued directly from a US Federal Agency that "creates" the securities in certain cases where they have need for funding. These direct placements from the Agency are a helpful means of achieving greater yield and cash flow efficiency than purchasing open market US Treasury securities. The Agency securities are purchased through primary dealer firms who bid on the basis of the lowest fee for facilitating this placement. To the extent Santee Cooper terminated the transaction, it is possible the US Agency would no longer conduct this type of transaction with Santee Cooper. It is also possible the primary dealer firms would seek compensation for their efforts. The remaining roughly \$223 million escrow securities are US State and Local Government Series Securities ("SLGS") purchased directly from the US Treasury. This planned purchase can be cancelled at no cost to Santee Cooper. However, the SLGS program contains provisions by which the Treasury may ban issuers from future purchases in the event of a cancellation. It is difficult to determine the actual reaction from the US Agency, the primary dealer, or the US Treasury in the event of a cancellation.
- 2 – Rating Agencies – one of the concerns raised by each of the three rating agencies was the ongoing uncertainty related to Act 95, Act 135 and potential oversight and involvement at the State, legislative and regulatory levels. Their concern was for actions or inactions which could adversely impact the interests of investors. This concern was stated by Standard & Poor's as a reason for keeping Santee Cooper on Negative Outlook.
- 3 – Investors – Investors' reading of Act 135, in combination of their understanding of the Santee Cooper transaction, provided a high level of comfort in Santee Cooper's ability and authority to execute the bond transaction. The language of Act 135 appears clear, and the transaction's intent and execution appeared clearly within the intent of the Act. The transaction delivers considerable NPV savings, shortens the average life of debt and reduces Santee Cooper's exposure to the risk of rising interest rates. To the extent the transaction does not close due to an interpretation it does not comply with Act 135, investors would understandably question Santee Cooper's ability to do any type of financing, and Santee Cooper could be prevented from selling bonds without express approval from the State, the Legislature and other regulatory bodies. To the extent the failure to close was adverse to investor interests, and viewed as an overly aggressive interpretation of Act 135, it is possible investors could have a reduced interest in participating in future Santee Cooper or even other State of South Carolina financings.

Given the considerable subjectivity in predicting rating agency and investor reactions to this evolving situation, it is difficult to predict actual outcomes.

Regards,

Michael Mace
 PFM
www.pfm.com
 917-318-7869 Cell

**Office of Regulatory Staff Continuing Request for Information
In Response to the Letter Dated October 29, 2020 by the Santee Cooper Oversight Committee
Request: CRI.1**

CRI.1 Please provide any and all pertinent information and documentation required pursuant to the October 29, 2020, letter from the Santee Cooper Oversight Committee.

Response should include, but is not limited to:

- a. Identification and provision of the name, title and contact information (phone/e-mail) for individual responsible for the information contained in the response.**

Office of Regulatory Staff Continuing Request for Information
In Response to the Letter Dated October 29, 2020 by the Santee Cooper Oversight Committee
Request: CRI.1 (SUPPLEMENTAL 2020-11-23)

After the 2020AB transaction was approved by our Board, Santee Cooper along with bond counsel, disclosure counsel, underwriters, underwriters' counsel, tax counsel, financial advisors and others moved forward to finalize the Official Statement as well as prepare closing documents. Closing documents were signed and closing occurred on November 5, and Santee Cooper provided final copies of the Official Statement to the Credit Rating Agencies. The final Official Statement named "Santee Cooper Final OS.pdf" and other closing documents are provided as follows:

CRI.1 shritter 000 Certificate as to Filing Transcript CONFIDENTIAL.pdf
CRI.1 shritter 000 Certificate as to Filing Transcript REDACTED.pdf
CRI.1 shritter 00 Table of Contents.pdf
CRI.1 shritter 01 Certificate of Incumency of the Board of Directors of the Authority CONFIDENTIAL.pdf
CRI.1 shritter 01 Certificate of Incumency of the Board of Directors of the Authority REDACTED.pdf
CRI.1 shritter 02(a) Certificate as to By-Laws of the Authority CONFIDENTIAL.pdf
CRI.1 shritter 02(a) Certificate as to By-Laws of the Authority REDACTED.pdf
CRI.1 shritter 02(b) Amended By-Laws of the Authority - 01-28-19.pdf
CRI.1 shritter 03(a) Certificate as to Revenue Obligation Resolution CONFIDENTIAL.pdf
CRI.1 shritter 03(a) Certificate as to Revenue Obligation Resolution REDACTED.pdf
CRI.1 shritter 03(b) General Revenue Obligation Resolution.pdf
CRI.1 shritter 04(a) Certificate as to 48th Series and Supplemental Resolution CONFIDENTIAL.pdf
CRI.1 shritter 04(a) Certificate as to 48th Series and Supplemental Resolution REDACTED.pdf
CRI.1 shritter 04(b) Forty-Eighth Series and Supplemental Resolutions [Exhibits Omitted].pdf
CRI.1 shritter 05(a) Certificate as to 49th Series and Supplemental Resolution CONFIDENTIAL.pdf
CRI.1 shritter 05(a) Certificate as to 49th Series and Supplemental Resolution REDACTED.pdf
CRI.1 shritter 05(b) Forty-Ninth Series and Supplemental Resolutions [Exhibits Omitted].pdf
CRI.1 shritter 06(a) Certificate as to Minutes of the meeting of the Board of Directors of Authority held on 04-26-99 CONFIDENTIAL.pdf
CRI.1 shritter 06(a) Certificate as to Minutes of the meeting of the Board of Directors of Authority held on 04-26-99 REDACTED.pdf
CRI.1 shritter 06(b) Copy of Minutes of Board of Directors Meeting held on 04-26-99 CONFIDENTIAL.pdf
CRI.1 shritter 06(b) Copy of Minutes of Board of Directors Meeting held on 04-26-99 REDACTED.pdf
CRI.1 shritter 07 Certificate as to Chief Financial and Administration Officer of the Authority CONFIDENTIAL.pdf
CRI.1 shritter 07 Certificate as to Chief Financial and Administration Officer of the Authority REDACTED.pdf
CRI.1 shritter 08 Signature Certificate of the Acting Chairman and the Corporate Secretary of the Authority CONFIDENTIAL.pdf
CRI.1 shritter 08 Signature Certificate of the Acting Chairman and the Corporate Secretary of the Authority REDACTED.pdf
CRI.1 shritter 09 Certificate of Incumbency and Signatures of the Authority CONFIDENTIAL.pdf
CRI.1 shritter 09 Certificate of Incumbency and Signatures of the Authority REDACTED.pdf
CRI.1 shritter 10 Request and Authorization to Authenicate and Deliver the 2020 Bonds CONFIDENTIAL.pdf
CRI.1 shritter 10 Request and Authorization to Authenicate and Deliver the 2020 Bonds REDACTED.pdf

Office of Regulatory Staff Continuing Request for Information
In Response to the Letter Dated October 29, 2020 by the Santee Cooper Oversight Committee
Request: CRI.1 (SUPPLEMENTAL 2020-11-23)

CRI.1 shritter 11 Certificate Pursuant to Revenue Obligation Resolution CONFIDENTIAL.pdf
CRI.1 shritter 11 Certificate Pursuant to Revenue Obligation Resolution REDACTED.pdf
CRI.1 shritter 12(a) Specimen 2020A Bonds CONFIDENTIAL.pdf
CRI.1 shritter 12(a) Specimen 2020A Bonds REDACTED.pdf
CRI.1 shritter 12(b) Specimen 2020B Bonds CONFIDENTIAL.pdf
CRI.1 shritter 12(b) Specimen 2020B Bonds REDACTED.pdf
CRI.1 shritter 13 Preliminary Official Statement, dated 10-20-20, as supplemented on 10-23-20.pdf
CRI.1 shritter 14 Official Statement.pdf
CRI.1 shritter 15 Tax Certificate CONFIDENTIAL.pdf
CRI.1 shritter 15 Tax Certificate REDACTED.pdf
CRI.1 shritter 16 IRS Form 8038-G CONFIDENTIAL.pdf
CRI.1 shritter 16 IRS Form 8038-G REDACTED.pdf
CRI.1 shritter 17 DTC Blanket Issuer Letter of Representations CONFIDENTIAL.pdf
CRI.1 shritter 17 DTC Blanket Issuer Letter of Representations REDACTED.pdf
CRI.1 shritter 18(a) Receipt for Proceeds of the 2020A Bonds CONFIDENTIAL.pdf
CRI.1 shritter 18(a) Receipt for Proceeds of the 2020A Bonds REDACTED.pdf
CRI.1 shritter 18(b) Receipt for Proceeds of the 2020B Bonds CONFIDENTIAL.pdf
CRI.1 shritter 18(b) Receipt for Proceeds of the 2020B Bonds REDACTED.pdf
CRI.1 shritter 19 Continuing Disclosure Agreement CONFIDENTIAL.pdf
CRI.1 shritter 19 Continuing Disclosure Agreement REDACTED.pdf
CRI.1 shritter 20(a) Escrow Deposit Agreement - 2020A Refunded Bonds CONFIDENTIAL.pdf
CRI.1 shritter 20(a) Escrow Deposit Agreement - 2020A Refunded Bonds REDACTED.pdf
CRI.1 shritter 20(b) Escrow Deposit Agreement - 2020B Refunded Bonds CONFIDENTIAL.pdf
CRI.1 shritter 20(b) Escrow Deposit Agreement - 2020B Refunded Bonds REDACTED.pdf
CRI.1 shritter 21(a) Direction Letter to Trustee regarding Redemption CONFIDENTIAL.pdf
CRI.1 shritter 21(a) Direction Letter to Trustee regarding Redemption REDACTED.pdf
CRI.1 shritter 21(b)(i) Conditional Notices of Redemption - 2020A Refunded Bonds.pdf
CRI.1 shritter 21(b)(ii) Notices of Redemption - 2020B Refunded Bonds.pdf
CRI.1 shritter 21(c) Conditional optional redemption notification email.pdf
CRI.1 shritter 21(c) email attach SCPSA2016A.pdf
CRI.1 shritter 21(c) email attach 2009A 2010B.pdf
CRI.1 shritter 21(c) email attach 2014C 2016B.pdf
CRI.1 shritter 21(d) Return Receipt.pdf

Office of Regulatory Staff Continuing Request for Information
In Response to the Letter Dated October 29, 2020 by the Santee Cooper Oversight Committee
Request: CRI.1 (SUPPLEMENTAL 2020-11-23)

CRL1 shritter 22 Acceptance of Office of Trustee, Paying Agent, Registrar and Escrow Agent CONFIDENTIAL.pdf
CRL1 shritter 22 Acceptance of Office of Trustee, Paying Agent, Registrar and Escrow Agent REDACTED.pdf
CRL1 shritter 22 Exhibit A Secretary Certificate of the Trustee + extract of By-Laws and Signing Authority Resolution CONFIDENTIAL.pdf
CRL1 shritter 22 Exhibit A Secretary Certificate of the Trustee + extract of By-Laws and Signing Authority Resolution REDACTED.pdf
CRL1 shritter 23 Certificate of the Trustee CONFIDENTIAL.pdf
CRL1 shritter 23 Certificate of the Trustee REDACTED.pdf
CRL1 shritter 24 Receipt of F.A.S.T. Agent CONFIDENTIAL.pdf
CRL1 shritter 24 Receipt of F.A.S.T. Agent REDACTED.pdf
CRL1 shritter 25(a) 2020A Bond Purchase Agreement CONFIDENTIAL.pdf
CRL1 shritter 25(a) 2020A Bond Purchase Agreement REDACTED.pdf
CRL1 shritter 25(b) 2020B Bond Purchase Agreement CONFIDENTIAL.pdf
CRL1 shritter 25(b) 2020B Bond Purchase Agreement REDACTED.pdf
CRL1 shritter 26 Certificate of the 2020A Representative as to Issue Price of the 2020A Bonds CONFIDENTIAL.pdf
CRL1 shritter 26 Certificate of the 2020A Representative as to Issue Price of the 2020A Bonds REDACTED.pdf
CRL1 shritter 27 Blue Sky Memorandum.pdf
CRL1 shritter 28(a) Letter of Letter of Cherry Bekaert LLP, CONFIDENTIAL.pdf
CRL1 shritter 28(a) Letter of Letter of Cherry Bekaert LLP, REDACTED.pdf
CRL1 shritter 28(b) Agreed Upon Procedures Letter of Cherry Bekaert LLP, dated 11-05-20 CONFIDENTIAL.pdf
CRL1 shritter 28(b) Agreed Upon Procedures Letter of Cherry Bekaert LLP, dated 11-05-20 REDACTED.pdf
CRL1 shritter 29 Opinion of Pamela J. Williams, Chief Public Affairs and General Counsel to the Authority CONFIDENTIAL.pdf
CRL1 shritter 29 Opinion of Pamela J. Williams, Chief Public Affairs and General Counsel to the Authority REDACTED.pdf
CRL1 shritter 30 NP Approving Opinion + Reliance Letter CONFIDENTIAL.pdf
CRL1 shritter 30 NP Approving Opinion + Reliance Letter REDACTED.pdf
CRL1 shritter 31 NP Supplemental Opinion CONFIDENTIAL.pdf
CRL1 shritter 31 NP Supplemental Opinion REDACTED.pdf
CRL1 shritter 32(a) Opinion of Orrick, Herrington & Sutcliffe LLP - 2020A CONFIDENTIAL.pdf
CRL1 shritter 32(a) Opinion of Orrick, Herrington & Sutcliffe LLP - 2020A REDACTED.pdf
CRL1 shritter 32(b) Opinion of Orrick, Herrington & Sutcliffe LLP - 2020B CONFIDENTIAL.pdf
CRL1 shritter 32(b) Opinion of Orrick, Herrington & Sutcliffe LLP - 2020B REDACTED.pdf
CRL1 shritter 33(a) NP Defeasance Opinion - 2020A Refunded Bonds CONFIDENTIAL.pdf
CRL1 shritter 33(a) NP Defeasance Opinion - 2020A Refunded Bonds REDACTED.pdf
CRL1 shritter 33(b) NP Defeasance Opinion - 2020B Refunded Bonds CONFIDENTIAL.pdf
CRL1 shritter 33(b) NP Defeasance Opinion - 2020B Refunded Bonds REDACTED.pdf
CRL1 shritter 34(a)(i) Fitch Ratings - Ratings Action Commentary dated 10-22-20.pdf
CRL1 shritter 34(a)(ii) Fitch Ratings - Ratings Letter dated 10-22-20.pdf
CRL1 shritter 34(b)(i) Moody's Rating Action dated 10-20-20.pdf
CRL1 shritter 34(b)(i) Moody's Rating Letter dated 11-04-20.pdf
CRL1 shritter 34(c)(i) S&P Global Ratings rating letter dated 10-20-20 [2020A].pdf

Office of Regulatory Staff Continuing Request for Information
In Response to the Letter Dated October 29, 2020 by the Santee Cooper Oversight Committee
Request: CRI.1 (SUPPLEMENTAL 2020-11-23)

CRI.1 shritter 34(c)(ii) S&P Global Ratings ratings letter dated 10-20-20 [2020B].pdf
CRI.1 shritter 34(c)(iii) S&P Global Ratings Ratings Report dated 10-21-20.pdf
CRI.1 shritter 35 Verification Report [FINAL] CONFIDENTIAL.pdf
CRI.1 shritter 35 Verification Report [FINAL] REDACTED.pdf
CRI.1 shritter 36 Closing Memorandum in connection with the issuance, sale and delivery of the 2020 Bonds, dated 10-28-20 REDACTED.pdf
CRI.1 shritter 36 Closing Memorandum in connection with the issuance, sale and delivery of the 2020 Bonds, dated 10-28-20CONFIDENTIAL.pdf
CRI.1 shritter 37 Final Pricing Numbers.pdf
CRI.1 shritter 38(i) Notices of Defeasance - 2020A Refunded Bonds.pdf
CRI.1 shritter 38(ii) Notices of Defeasance - 2020B Refunded Bonds.pdf
CRI.1 shritter 39 Bidding Agent Certificate CONFIDENTIAL.pdf
CRI.1 shritter 39 Bidding Agent Certificate REDACTED.pdf
CRI.1 shritter 40 Provider Certificate (Wells Fargo Securities) CONFIDENTIAL.pdf
CRI.1 shritter 40 Provider Certificate (Wells Fargo Securities) REDACTED.pdf

We acknowledge the credit rating agency letters and reports included in the above list were available to us at the time of the Nov. 2 submission and were inadvertently omitted.

In addition to the Official Statement and closing documents, the following pertinent information is also included:

1. Agenda for, and presentation given at, the Oct. 1 virtual meetings held with House and Senate staff as disclosed in the Nov. 2 submission(see files named "CRI.1 shritter Oversight Staff Meeting Agenda – October 1.doc" and "CRI.1 shritter Legislative Staff Discussion Materials 100120.pdf").
2. Fitch October 27 rating letter. (Please see file named "CRI.1 shritter Fitch Santee Cooper New Issue Report 10-27-20.pdf").

We acknowledge the meeting materials for the October 1 meeting and October 27 credit rating agency letter and report included in this submission were available to us at the time of the Nov. 2 submission and were inadvertently omitted.

ORS.SC.GOV

Office of Regulatory Staff

1401 Main Street

Suite 900

Columbia, SC 29201

